



**DEPARTMENT OF THE ARMY**  
**HEADQUARTERS, MILITARY TRAFFIC MANAGEMENT COMMAND**  
**200 STOVALL STREET HOFFMAN BUILDING II**  
**ALEXANDRIA VA 22332-5000**

March 28, 2001



Joint Traffic Management Division

**SUBJECT: Fuel-Related Rate Adjustment Policy for Freight Traffic**

**DEPARTMENT OF DEFENSE FREIGHT CARRIERS**

Dear Sir/Madam:

Attached is Military Traffic Management Command's (MTMC) new Fuel-Related Rate Adjustment Policy No. TR-12, which provides carriers relief from increases in diesel fuel prices. The policy is effective on April 1, 2001, and expires April 1, 2002. It is subject to reauthorization on an annual basis. The policy can also be found on our website, [www.mtmc.army.mil](http://www.mtmc.army.mil). Just click on Transportation Services and you will find it listed.

The new policy provides that fuel adjustments will be based on the National Average diesel fuel price as determined by the Department of Energy (DOE). Paragraph F.3. of the policy provides a table of diesel fuel price ranges and corresponding rate adjustment percentages.

The new policy will be implemented for freight programs as discussed below. It will apply for all modes except pipeline movements, water/pipeline intermodal movements, and air movements overseen by the Air Mobility Command. This excepted traffic includes mode codes D, K, L, M, and V which correspond to Pipeline, Air Freight, Air Freight Forwarder, and Air Taxi, and Water/Pipeline Intermodal Movements respectively.

The new policy provides that fuel adjustments will be based on the DOE National Average diesel fuel price published on the first Monday of the month, or the first working day after a Monday if the Monday falls on a Federal Holiday. The corresponding rate adjustment will apply on shipments picked up on or after the 15<sup>th</sup> day of the month through the 14<sup>th</sup> day of the following month. For the period April 1, 2001 through April 14, 2001, the rate adjustment will be 2 percent, based on the DOE National Average diesel fuel price of 142 cents per gallon published on March 5, 2001. The DOE National Average diesel fuel price may be found at the DOE website, [www.eia.doe.gov](http://www.eia.doe.gov). In the future, Rate Adjustments in effect may be found on the MTMC website after clicking on Transportation Services, then Fuel-Related Rate Adjustments.

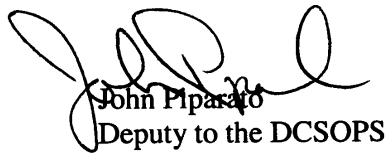
For all traffic, the new policy will apply on all shipments picked up on or after April 1, 2001. For Voluntary tenders, carriers can still adjust their base rates at any time, giving 15 days notice. For Guaranteed Traffic (GT) tenders, the base tenders were adjusted each time GT tenders were extended. At that time, determinations were made on whether rate increases were justified. These determinations were based on changes in the Producer Price Index (PPI) over the life of the tender. Since fuel prices are factored into the PPI, most determinations resulted in permanent rate increases. Thus, GT carriers are being compensated for past fuel price increases through the PPI methodology. Automated Spot Bid shipments and shipments negotiated by the Deployment

Support Command will also be covered by the policy. In all cases, carriers will receive the applicable Fuel-Related Rate Adjustment called for in the new policy.

This letter covers fuel adjustments on line-haul charges for domestic freight traffic only; accessorial rates are not affected. For Global Freight Management (GFM) users, the Rate Adjustment will be implemented on all bill of lading GFM applications, including Freight Automated Shipping Tool (FAST), Spot Bid, and Field Module. The dollar amount of the Rate Adjustment will be shown in Block 15, Marks and Annotations, of the bill of lading. For Defense Logistics Agency Distribution Standard System users, the dollar amount of the Fuel Adjustment will be shown on the bill of lading continuation sheet. Carriers will clearly show Rate Adjustments on all invoices, as a separate item.

Additional information on Fuel-Related Rate Adjustments may be found at the GFM Helpdesk website, <http://144.101.36.222>. If you have any questions, please contact Mr. John Alexander, MTOP-JG, at (703) 428-2218, email: [alexanderj@mtmc.army.mil](mailto:alexanderj@mtmc.army.mil).

Sincerely,



John Piparato  
Deputy to the DCSOPS

Enclosure

MTMC

TRANSPORTATION AND TRAVEL

POLICY NO. TR-12

SUBJECT: Fuel-Related Rate Adjustment Policy

POLICY

A. Written provision will be made in Military Traffic Management Command (MTMC) regulations and solicited tender agreements for fuel related rate adjustments. The following Fuel-Related Rate Adjustment policy provides the transportation industry, including individual carriers, economic adjustment and reasonable relief from increases in diesel fuel prices. Carriers are urged to consider changes in fuel prices when submitting or supplementing rates during rate filing and/or bid submission periods. See Sections I and J for specific program applications and exceptions.

B. Issue Date: The issue date is 2 Jan 01.

C. Effective Date: The effective date is 1 Apr 01.

D. Expiration Date: The expiration date is 1 Apr 02 and is subject to reauthorization on an annual basis at the sole discretion of HQ MTMC. The MTMC Fuel Board will periodically meet to consider changes and modifications to this policy.

E. Application: The policy will apply to MTMC Personal Property and Domestic Freight Programs.

F. Policy:

1. Application: Applicability of the Fuel-Related Adjustment is based on guidance contained in the solicitation or other procurement request for transportation services. Application of a Fuel-Related Rate Adjustment will be determined the first Monday of the month and based on the National Average diesel fuel price as determined by the Department of Energy, Energy Information Administration (EIA). If the first Monday is a holiday the fuel price will be determined based on the price on the next business day.

Enclosure

2. Determination of Adjustment: Only the National Average diesel fuel price as published by the DOE, EIA on the first Monday of the month (or the first working day after a Monday if the Monday falls on a Federal Holiday) may be used as a basis for determining the applicability of a Fuel-Related Rate Adjustment. The fuel adjustment will automatically apply to shipments picked up on or after the 15<sup>th</sup> day of the month through the 14<sup>th</sup> day of the following month. The diesel fuel prices published by the EIA may be found via the following sources:

- EIA Website: <http://www.eia.doe.gov/>
- EIA Weekly Petroleum Status Report
- EIA Hotline: (202) 586-6966

It is the responsibility of the carrier to monitor diesel fuel prices via one of the sources identified above. The National Average diesel fuel price determined by the DOE, EIA on the first Monday of the month will serve as the basis for determining the entitlement to a Fuel-Related Rate Adjustment, until the first Monday of the following month when the National Average diesel fuel price is published. The National Average fuel price and the actual pickup date of the shipment will determine if there is an entitlement to an adjustment and the amount of the adjustment. An adjustment is not applicable to any portion of transportation in which a surcharge or any other additional payment for fuel is already in existence. For example, portions of transportation to which the Bunker Fuel Surcharge is applicable.

3. Amount of Adjustment: The table below will be used to determine the fuel related rate adjustment factor. No fuel adjustment will be granted when prices are within the neutral range ("0"). When the DOE, EIA fuel price exceeds the neutral range amount, the carrier will be entitled to the specific fuel rate adjustment percentage based on the applicable fuel cost per gallon range as indicated in the table. The increase applies to line haul transportation charges only unless otherwise identified in the solicitation.

<u>Cost per Gallon (in cents)</u>	<u>Rate Adjustment %</u>
130.0 and below	0
130.1-140.0	1
140.1-150.0	2
150.1-160.0	3
160.1-170.0	4
170.1-180.0	5
180.1-190.0	6
190.1-200.0	7
200.1-210.0	8
210.1-220.0	9

For example, if the reported DOE, EIA National Average diesel fuel price is \$1.52 the carrier would be entitled to a fuel-related surcharge of 3% for shipments picked up on or after the 15<sup>th</sup> of the month. For each 10 cents per gallon above 220.0 add 1%.

4. Readjustments: The surcharge is automatically recalculated monthly and adjusted upward or downward depending on the DOE EIA National Average price on the 1<sup>st</sup> Monday of the month. In no case will the adjustment lower the original price offered in the carriers' initial filing or response to a solicitation.

G. Billing Procedures: Carriers will clearly show fuel price adjustments on all paper and electronic commercial freight bills and Government Bills of Lading and invoices. The amount of any diesel fuel rate surcharge must be shown as a separate item on the carriers' invoice.

H. This policy supersedes Policy No. 55-4 Fuel Related Carrier Rate Changes.

I. Personal Property Program: Specific program applications and exceptions are listed below:

1. Applications: (CONUS segment, including Alaska and Hawaii)
  - a. Line haul portion of domestic interstate and intrastate movements.
  - b. Domestic line haul portion of international personal property movements.
  - c. Transportation charges applicable on domestic and international storage-in-transit shipments when such shipments are delivered or removed from the domestic storage-in-transit warehouse.
2. Exceptions: None.

J. Domestic Freight Program: Specific program applications are listed below:

1. Applications:
  - a. Applies only to the domestic line haul portion of the carrier rate.
2. Exceptions: None